

Message Text

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SUBJ: CERP 0200 - CENTRAL GOVERNMENT BUDGET OF GRENADA

REF: BRIDGETOWN A-021

BEGIN UNCLASSIFIED

1. SUMMARY

THE REFERENCED REPORT INCLUDED BRIEF INFORMATION CONCERNING THE 1978 BUDGET OF GRENADA IN THE CONTEXT OF THE OVERALL ECONOMIC PICTURE. THE PRESENT REPORT OUTLINES THE NEW BUDGET IN MORE DETAIL. ACTING MINISTER OF FINANCE OLIVER RAEURN READ THE BUDGET SPEECH OF MINISTER OF FINANCE GEORGE HOSTEN, WHO WAS PRESENT IN THE HOUSE OF REPRESENTATIVES BUT STILL RECOVERING FROM ILLNESS. THE OUTLOOK FOR ACHIEVEMENT OF THE PLANS EMBODIED IN THE BUDGET IS NOT PROMISING.

ALL FIGURES BELOW ARE IN U.S. DOLLARS. ONE U.S. DOLLAR EQUALS EC\$2.70. THE FINANCIAL YEAR IS THE SAME AS THE CALEN-
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DAR YEAR.

2. ESTIMATES FOR 1978

TOTAL REVENUE THIS YEAR WAS ESTIMATED AT SLIGHTLY UNDER \$27.9 MILLION. ANTICIPATED REVENUE FROM LOCAL SOURCES WAS PROJECTED AT \$18.2 MILLION, AND RECEIPTS FROM EXTERNAL AID

WERE PLACED AT A LITTLE OVER \$9.6 MILLION. A SURPLUS OF \$16,400 WAS ANTICIPATED IN THE FINANCIAL YEAR 1978.

MR. RAEBURN SAID ESTIMATED INCREASES IN LOCAL REVENUE OVER THE 1977 FIGURE WERE DUE IN PART TO ANTICIPATED HIGHER CUSTOMS REVENUE, PROJECTED ON THE BASIS OF CURRENT TRENDS. MORE REVENUE FROM INCOME TAX WAS EXPECTED BECAUSE OF INCREASED PROFITS OF BUSINESSMEN. TAX REVENUE WOULD ALSO INCREASE FROM STAMP DUTIES AND FOREIGN EXCHANGE TAXES.

THE ACTING MINISTER STATED THAT \$2.0 MILLION HAD BEEN EARMARKED FOR INTEREST ON THE PUBLIC DEBT. THIS SUM CONSISTED OF \$1.7 MILLION FOR LIABILITIES THAT WILL ARISE IN 1978, PLUS \$0.3 MILLION FOR ARREARS.

THE ESTIMATES INDICATED THE DIRECTION THAT THE GOVERNMENT HOPES EXTERNAL AID WOULD TAKE. 70 PERCENT WOULD BE SPENT ON ROADS, SCHOOLS AND OTHER INFRASTRUCTURE; 20 PERCENT ON AGRICULTURE. AND THE REST ON PORT DEVELOPMENT AND OTHER SMALLER ITEMS.

3. THE PERFORMANCE IN 1977

REVIEWING LAST YEAR'S PERFORMANCE, THE ACTING FINANCE MINISTER SAID THAT LOCAL REVENUE TOTALED \$11.8 MILLION IN 1977, AND EXTERNAL AID AMOUNTED TO ONLY \$590,000. THE LIMITED OFFICIAL USE

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\$12.3 MILLION IN RECEIPTS ACTUALLY REALIZED CONTRASTED SHARPLY WITH THE \$15.8 MILLION IN LOCAL REVENUE AND \$7.5 MILLION IN EXTERNAL AID WHICH WERE PROJECTED IN THE 1977 BUDGET ESTIMATES.

THE MOST SALIENT AND MOST UNDESIRABLE FEATURE OF THE 1977 PERFORMANCE ON THE REVENUE SIDE WAS A GARGANTUAN OVERALL DROP IN FUNDS FROM LOCAL AND EXTERNAL SOURCES OF 42 PERCENT.

EXPENDITURE IN 1977 AMOUNTED TO \$13.6 MILLION. THIS LEFT A DEFICIT ON CURRENT AND CAPITAL ACCOUNT OF \$1.3 MILLION FOR THE YEAR. MR. RAEBURN ATTRIBUTED THE SHORTFALL ON CURRENT ACCOUNT MOSTLY TO THE COLLAPSE OF THE GRENADIAN COMPANY WHICH OPERATED AN INTERNATIONAL LOTTERY.

CONCERNING THE 1977 RESULTS ON CAPITAL ACCOUNT, MR. RAEBURN SAID PROGRESS WAS MADE ON BRITISH DEVELOPMENT AID PROJECTS, BUT THE RATE OF SPENDING WAS NOT AS FAST AS THE GOV WISHED. NEGOTIATIONS WERE UNDERWAY FOR A FURTHER UK AID PROGRAM--THE DETAILS OF WHICH HAD NOT BEEN WORKED OUT-- TO BEGIN IN APRIL OF 1979.

THE ACTING MINISTER SAID THE EUROPEAN DEVELOPMENT FUND PROGRAM APPROVED FOR GRENADA HAD PROGRESSED SATISFACTORILY. THE FINANCING OF THE MAJOR EAST COAST ROAD WAS IN THE FINAL STAGES OF NEGOTIATION. WORK HAD ALREADY BEGUN ON IMPROVEMENTS AT THE GENERAL HOSPITAL.

IN THE PROPOSED WORLD BANK PROGRAM, WHICH INCLUDES PROVISION FOR A NEW AIRPORT, THERE WAS SOME DELAY IN 1977. THE CANADIAN INTERNATIONAL DEVELOPMENT AGENCY AGREED IN PRINCIPLE TO FINANCE THE PHYSICAL PLANNING AND COSTING SURVEY. THE GOG HOPED CONSTRUCTION COULD BEGIN IN 1980. END UNCLASSIFIED.

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4. COMMENT

MR. RAEBURN'S EXEGESIS ATTEMPTED TO PAINT A BRIGHTER PICTURE OF THE PUBLIC FINANCES THAN THE FACTS WARRANT, BUT A LITTLE ANALYSIS OF WHAT WAS SAID REVEALS THE STARK REAL TIES OF GRENADA'S BUDGETARY SITUATION. FOR EXAMPLE, THE PROSPECT THAT EXTERNAL DONORS WILL SUDDENLY INCREASE AID FROM \$590,000 IN 1977 TO \$9.6 MILLION IN 1978, AS INDICATED IN THE BUDGET, IS NOT PROMISING.

GIVEN THE PRESENT FINANCIAL SITUATION, IN WHICH OVERDRAFTS ON THE COMMERCIAL BANKS BY THE GOVERNMENT ARE COMMON, THE BUDGET ON CURRENT ACCOUNT HAS IN SPOTS AN EQUALLY IF NOT MORE UNREAL QUALITY. AN EXAMPLE, WHICH LEADER OF THE OPPOSITION MAURICE BISHOP WAS QUICK TO POINT OUT, CONCERNS BANANAS -- ONE OF THE PRINCIPAL GRENADIAN CROPS -- AND ICE. ALTHOUGH THE GRENADIAN GOVERNMENT OWNS OVER ONE-THIRD OF THE ARABLE LAND, MR. BISHOP SAID, THE BUDGET ESTIMATES FOR 1978 SHOW ONLY \$2,200 FROM THE SALE OF BANANAS, BUT \$2,600 FROM THE SALE OF ICE.

LET US CONCLUDE BY NOTING THAT IN THE REAL WORLD THE POSSIBILITY OF A GRENADIAN BUDGET IN SURPLUS, AS PROJECTED IN THE ESTIMATES, IS ABOUT AS LIKELY AS SNOW IN ST. GEORGE'S. END LIMITED OFFICIAL USE.
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